

House Research Department

Patrick J. McCormack, Director

600 State Office Building
St. Paul, Minnesota 55155-1298
651-296-6753 [FAX 651-296-9887]
www.house.mn/hrd/hrd.htm



Fiscal Analysis Department

Bill Marx, Director

373 State Office Building
St. Paul, Minnesota 55155-1298
651-296-7176 [FAX 651-296-9709]
www.house.mn/fiscal/fahome.htm

September 22, 2009

TO: Transportation Finance and Policy Division Members

FROM: Koryn Zewers, Fiscal Analyst (651-296-4178)
Matt Burress, Legislative Analyst (651-296-5045)

RE: September 23, 2009 hearing – petroleum tank release cleanup fee

In addition to the gasoline and special fuel taxes that are used to fund the state's highway and bridge programs, a petroleum tank release cleanup fee is occasionally added to the taxes on gasoline and special fuels. Minnesota Statutes, chapter 115C, establishes the petroleum tank release cleanup fee, petroleum tank release fund, and the allowable activities for using the fund's revenues. This memo summarizes the fee arrangement and activities funded with the revenues.

Petroleum Tank Release Cleanup Fee. The petroleum tank release cleanup fee is a tax that is imposed on the use of storage tanks containing petroleum products, such as gasoline, at a rate of \$0.02 per gallon of fuel stored. Minn. Stat. § 115C.08, subd. 3. It was first instituted in 1987.

The tax is not always in effect; it "blinks on" based on the fund balance in the petroleum tank release cleanup fund. The Petroleum Tank Release Compensation Board, discussed on the next page, notifies the Department of Revenue when the unencumbered fund balance drops below a \$4 million threshold. The department must then impose the fee within 60 days for a period of four months. As with the taxes on motor fuels, the cleanup fee is paid by the first distributor in Minnesota that receives the fuel being taxed.

The tax was most recently imposed from February 1, 2009, through May 31, 2009. During this time period, the tax generated approximately \$4 million less in revenues than projected in the February 2009 Forecast. Historical revenues are discussed below.

Petroleum Tank Release Fund. The revenues from the petroleum tank release cleanup fee are deposited in the petroleum tank release cleanup fund. The following table depicts the 10-year revenue history and forecasted amounts through fiscal year 2013, including revenue generated from the fee as well as interest and other sources. On June 30, 2012, the petroleum tank release fund and cleanup fee as well as related provisions will be repealed. Minn. Stat. § 115C.13.

Petroleum Tank Release Fund Revenues (\$ in Millions)

Fiscal Year	Fee	Interest	Other	Total Revenues
2013 Est.	\$0.0	\$0.0	\$0.0	\$0.0
2012 Est.	\$22.6	\$0.9	\$0.1	\$23.6
2011 Est.	\$26.8	\$0.9	\$0.1	\$27.8
2010 Est.	\$26.8	\$0.9	\$0.1	\$27.8
2009	\$22.9	\$0.7	\$0.1	\$23.7
2008	\$26.9	\$1.2	\$0.2	\$28.2
2007	\$26.7	\$1.4	\$0.2	\$28.3
2006	\$26.5	\$1.1	\$0.2	\$27.7
2005	\$26.1	\$0.5	\$0.2	\$26.8
2004	\$25.5	\$0.3	\$0.3	\$26.1
2004-12 Ave	\$25.6	\$0.9	\$0.2	\$26.7

Program administration. Money from the petroleum tank release cleanup fund is utilized by multiple state agencies, primarily for investigation and cleanup of sites contaminated with petroleum due to leaking storage tanks. Funds are appropriated (both through direct and statutory appropriations) to the Petroleum Tank Release Compensation Board (Petrofund Board) / Department of Commerce, Pollution Control Agency (MPCA), and Department of Employment and Economic Development (DEED).

The Petrofund Board handles over half of the revenues and authorizes some of the fund transfers to other agencies. It is appointed by the Governor and consists of five members, including the Commissioner of the Pollution Control Agency, Commissioner of the Department of Commerce, one representative from the petroleum industry, one public member, and one person with experience in claims adjustment. The board is staffed by the Department of Commerce and has certain rulemaking authority. Minn. Stat. § 115C.07.

Use of funds. The following table outlines the appropriation of funds for fiscal year 2010 by agency; note that appropriations include the use of some carry forward dollars.

Appropriations from the Petroleum Tank Release Cleanup Fund (FY 2010, \$ in Millions)

Agency	Description	Amount
Petrofund Board	Grants to reimburse applicants for incurred costs of site investigation and contamination cleanup	\$15.0
Petrofund Board	Administrative costs (operations, indirect costs, etc.)	\$1.3
MPCA	Funds for investigation and cleanup performed by MPCA staff	\$5.8
MPCA	Transfer to remediation fund for Underground Storage Tank Program	\$3.6
DEED	Funds for Contamination Cleanup and Investigation Grant Program	\$6.2